

# **Fred C. Fischer Library**

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**Financial Report  
with Supplemental Information  
September 30, 2008**

# **Fred C. Fischer Library**

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**Independent Auditor's Report**

To the Tri-Community Library Committee  
Fred C. Fischer Library

We have audited the accompanying basic financial statements of the Fred C. Fischer Library as of and for the year ended September 30, 2008, as listed in the table of contents. These basic financial statements are the responsibility of the Fred C. Fischer Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Fred C. Fischer Library as of September 30, 2008 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule as identified in the table of contents is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although is not required to be a part of, the basic financial statements.

*Alan C. Young & Assoc.*

February 20, 2009

# Fred C. Fischer Library

## Governmental Fund Balance Sheet/Statement of Net Assets September 30, 2008

	Governmental Fund	Adjustments (Note 1)	Statement of Net Assets
<b>Assets</b>			
Cash and cash equivalents (Note 2)	\$ 360,483	\$ -	\$ 360,483
Capital assets - Net (Note 5)	<u>-</u>	<u>670,769</u>	<u>670,769</u>
Total assets	<u><b>\$ 360,483</b></u>	670,769	1,031,252
<b>Liabilities and Fund Balance/Net Assets</b>			
<b>Liabilities</b>			
Accounts payable	\$ 109,577	-	109,577
Accrued liabilities	20,485	-	20,485
Accrued wages payable	<u>3,982</u>	<u>-</u>	<u>3,982</u>
Total liabilities	134,044	-	134,044
<b>Fund Balance - Unrestricted</b>	<u>226,439</u>		
Total liabilities and fund balance	<u><b>\$ 360,483</b></u>		
<b>Net Assets</b>			
Invested in capital assets			670,769
Unrestricted			<u>226,439</u>
Total net assets			<u><b>\$ 897,208</b></u>

# Fred C. Fischer Library

## Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended September 30, 2008

	Governmental Fund	Adjustments (Note 1)	Statement of Activities
<b>Revenue</b>			
Member contributions (Note 4)	\$ 733,826	\$ -	\$ 733,826
Interest income	9,380	-	9,380
State aid	26,503	-	26,503
Local library fines and fees	124,713	-	124,713
Contributions and donations	3,110	-	3,110
Miscellaneous	10,666	-	10,666
Total revenue	908,198	-	908,198
<b>Expenditures</b>			
Salaries	363,582	-	363,582
FICA	7,746	-	7,746
Benefits	150,219	-	150,219
Books	108,543	(108,543)	-
Supplies	17,843	-	17,843
Professional fees	7,298	-	7,298
Dues	866	-	866
Contracted services	36,866	-	36,866
Administration fees	74,338	-	74,338
Telephone	13,690	-	13,690
Insurance	15,737	-	15,737
Utilities	23,609	-	23,609
Repairs and maintenance	7,141	-	7,141
Printing and publications	3,227	-	3,227
Postage	6,997	-	6,997
Computer hardware/software	5,175	-	5,175
Depreciation	-	258,885	258,885
Miscellaneous	3,720	-	3,720
Total expenditures	846,597	150,342	996,939
<b>Excess of Revenue Over (Under) Expenditures/ Change in Net Assets</b>	61,601	(150,342)	(88,741)
<b>Fund Balance/Net Assets - October 1, 2007</b>	164,838	821,111	985,949
<b>Fund Balance/Net Assets - September 30, 2008</b>	<u>\$ 226,439</u>	<u>\$ 670,769</u>	<u>\$ 897,208</u>

# **Fred C. Fischer Library**

## **Notes to Financial Statements September 30, 2008**

### **Note I - Summary of Significant Accounting Policies**

The Fred C. Fischer Library (the "Library") is an intergovernmental agency with the City of Belleville, Van Buren Township, and Sumpter Township. Its purpose is to provide library services to the residents of all the participating communities. Accordingly, the participating communities provide annual funding for its operations.

Prior to March 1999, the Library's accounting records were maintained by Wayne County. After March 1999, the three communities became responsible for the financial management of the Library, thus creating the intergovernmental agency. According to the Tri-Community Agreement, the Library is considered a branch of the Wayne County Library.

#### **Reporting Entity**

The Library is governed by a three-member board that consists of one representative from each community as appointed by the respective municipalities. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The Library's only fund, the General Fund, accounts for all financial resources of the Library. There are no component units required to be included in the Library's financial report.

#### **Basis of Accounting**

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The following is a summary of the significant accounting policies:

The government-wide full accrual financial statements (the statement of net assets and the statement of activities) are recorded using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Member contributions are recognized as revenue in the year for which they are earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# Fred C. Fischer Library

## Notes to Financial Statements September 30, 2008

### Note I - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

**Cash Equivalents** - The Library considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Fixed Assets** - A majority of the fixed assets of the Library, including the building the Library currently occupies, are owned by the participating communities. Capital assets owned by the Library, including subsequent building additions funded by the Library, are reported in the statement of net assets. Capital assets are defined by the Library as assets with an initial individual cost of more than \$100 and an estimated useful life in excess of one year. However, books and periodicals are identified by management at acquisition regardless of dollar amount and capitalized accordingly. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Books and periodicals	5 to 15 years
Building additions	39 years
Building improvements	15 years
Computers	5 years

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

### **Note 2 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library's cash and investments are deposited in the City of Belleville's pooled accounts. The Library's cash and investments are subject to several types of risk, which are described in the City of Belleville's audited financial statements. Complete financial statements for the City of Belleville can be obtained from the administrative offices at 6 Main Street, Belleville, MI.

### **Note 3 - Risk Management**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library is covered under the City of Belleville's commercial insurance for medical benefits, workers' compensation, and general liability claims. The City has purchased commercial insurance for employee injuries and medical benefit claims and participates in the Michigan Municipal Risk Management Authority risk pool (as a state pool member) for claims relating to loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.



# Fred C. Fischer Library

## Notes to Financial Statements September 30, 2008

### Note 3 - Risk Management (Continued)

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### Note 4 - Member Contributions

Contributions made to the Library are as follows:

A total of \$733,826 was contributed to the Fred C. Fischer Library by the participating communities for the year ended September 30, 2008. Contributions were collected on a quarterly basis by the City of Belleville on behalf of the Library.

The following is an analysis of member contributions for the year ended September 30, 2008:

	Quarterly Payment per the 2007-2008 Budget	Total Payments Received During Fiscal Year Ended September 30, 2008
Revenue contributed by member community:		
City of Belleville	\$ 18,896	\$ 75,584
Sumpter Township	42,562	170,248
Van Buren Township	<u>121,999</u>	<u>487,994</u>
Total governmental fund modified accrual revenue	<u>\$ 183,457</u>	<u>\$ 733,826</u>

The Library uses a support formula to determine the annual amount that each of the participating communities will contribute to the Library. This formula is determined based on three equally weighted factors: usage, population, and tax base. This percentage is multiplied by the total budgeted amount for local payments in order to determine the amount to be paid by each community.

# Fred C. Fischer Library

## Notes to Financial Statements September 30, 2008

### Note 5 - Capital Assets

Capital asset activity of the Fred C. Fischer Library's governmental activities is as follows:

<b>Governmental Activities</b>	Balance October 1, 2007	Additions	Disposals and Adjustments	Balance September 30, 2008
Capital assets being depreciated:				
Books and periodicals	\$ 1,779,401	\$ 108,543	\$ -	\$ 1,887,944
Buildings	452,634	-	-	452,634
Building improvements	133,017	-	-	133,017
Computers	45,564	-	-	45,564
Subtotal	2,410,616	108,543	-	2,519,159
Accumulated depreciation:				
Books and periodicals	1,234,153	234,004	-	1,468,157
Buildings	226,318	15,088	-	241,406
Building improvements	92,651	4,729	-	97,380
Computers	36,383	5,064	-	41,447
Subtotal	1,589,505	258,885	-	1,848,390
Net capital assets	\$ 821,111	\$ (150,342)	\$ -	\$ 670,769

### Note 6 - Budget Information

The annual budget is prepared by the Library director, submitted to the Tri-Community Library Committee for their approval, and then submitted to each of the participating communities' council or board for adoption; subsequent amendments are also submitted by the Tri-Community Library Committee to each of the participating communities' council or board for approval. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2008 has not been determined. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the participating communities' board or council and the Tri-Community Library Committee is included in the following required supplemental information.

## **Required Supplemental Information**

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# Fred C. Fischer Library

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2008

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>				
Member contributions	\$ 733,825	\$ 733,825	\$ 733,826	\$ 1
Interest income	6,000	9,000	9,380	380
State aid	10,000	26,503	26,503	-
Local library fines and fees	115,000	123,734	124,713	979
Contributions and donations	1,000	3,051	3,110	59
Miscellaneous	8,800	9,820	10,666	846
Total revenue	874,625	905,933	908,198	2,265
<b>Expenditures</b>				
Salaries	393,050	369,850	363,582	6,268
FICA	6,000	8,000	7,746	254
Benefits	159,500	155,555	150,219	5,336
Books	130,000	130,000	108,543	21,457
Supplies	10,500	17,350	17,843	(493)
Professional fees	7,000	7,298	7,298	-
Dues	1,000	1,000	866	134
Contracted services	42,000	39,607	36,866	2,741
Administration fees	70,000	92,000	74,338	17,662
Telephone	10,500	16,889	13,690	3,199
Insurance	15,100	15,739	15,737	2
Utilities	25,900	25,200	23,609	1,591
Repairs and maintenance	6,000	6,430	7,141	(711)
Printing and publications	4,500	3,227	3,227	-
Postage	7,500	7,500	6,997	503
Computer hardware/software	10,000	5,500	5,175	325
Miscellaneous	25,300	5,807	3,179	2,628
Total expenditures	923,850	906,952	846,056	60,896
<b>Excess of Revenue Over (Under) Expenditures</b>	(49,225)	(1,019)	62,142	(58,631)
<b>Fund Balance - October 1, 2007</b>	164,838	164,838	164,838	-
<b>Fund Balance - September 30, 2008</b>	<u>\$ 115,613</u>	<u>\$ 163,819</u>	<u>\$ 226,980</u>	<u>\$ (58,631)</u>